



# UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE 6 MONTHS ENDED 31 AUGUST 2020

**STEFANUTTI STOCKS HOLDINGS LIMITED**  
("Stefanutti Stocks" or "the company" or "the group")  
(Registration number 1996/003767/06)  
Share code: SSK ISIN: ZAE000123766

## FINANCIAL RESULTS

	UNAUDITED 31 AUGUST 2020	RESTATED 31 AUGUST 2019	% CHANGE
Contract revenue – Continuing operations (R'000)	1 662 230	2 910 718	(43)
Operating loss before investment income – Continuing operations (R'000)	(101 150)	(864 925)	88
Loss for the period – Continuing operations (R'000)	(169 158)	(909 237)	81
Loss for the period – Discontinued operations (R'000)	(80 123)	(131 540)	39
Loss for the period – Total operations (R'000)	(249 281)	(1 040 777)	76
Earnings per share – Total operations (cents)	(147.06)	(622.35)	76
Headline earnings per share – Total operations (cents)	(128.42)	(607.72)	79

### BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated results for the period ended 31 August 2020 (results for the period) have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act 71 of 2008. The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 31 August 2020 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 29 February 2020.

There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values. The fair value measurement for land and buildings are categorised as a level 3, based on the valuation method of income capitalisation using unobservable inputs i.e. market capitalisation rates and income/expenditure ratio. The results are presented in Rand, which is Stefanutti Stocks' functional currency.

The company's directors are responsible for the preparation and fair presentation of the unaudited condensed consolidated results. These results have been compiled under the supervision of the Chief Financial Officer, AV Coccianti, CA(SA).

### COVID-19

Stefanutti Stocks' priority continues to be the health and safety of its employees. The management of the group remains committed to supporting the initiatives that the governments have implemented in the various countries in which the group operates. Importantly, Stefanutti Stocks continues to adhere to the required protocols and maintains a close working relationship with clients and key stakeholders to mitigate the extensive impact of COVID-19 and reduce the long-term effects on its business.

The reporting period was negatively affected by COVID-19, which details are available in note 28 of the Consolidated Annual Financial Statements for the year ended 29 February 2020, which was issued on 18 August 2020.

### RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Consolidated Annual Financial Statements of Stefanutti Stocks for the year ended 29 February 2020 issued on 18 August 2020 and subsequent disposal of properties announcement issued on 21 October 2020.

As previously reported, the Restructuring Plan has been approved by both the company's board of directors and the Lenders and envisages, *inter alia*:

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of certain divisions/subsidiaries;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million relates to the negative effects of the national lockdown;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- evaluation of an optimum business model going forward and associated capital structure analysis including the potential of raising new equity.

The purpose of the Restructuring Plan is to put in place an optimal capital structure and access to liquidity to position the group for long-term growth in this uncertain environment.

In accordance with the Restructuring Plan, the Lenders have provided the requisite funding and have converted the short-term funding agreement into a term loan on 1 July 2020, which loan terminates on 28 February 2022. In addition, the Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount.

### FURTHER INFORMATION

These results have been compiled under the supervision of the Chief Financial Officer, AV Coccianti, CA(SA).

This announcement is an extract of the full unaudited condensed consolidated announcement. This extract has not been reviewed by the auditors. This extract, which is the responsibility of the directors, does not contain full or complete details and any investment decision by investors and/or shareholders should be based on the consideration of the full announcement, the webcast together with the investor presentation which is available on the company's website at [www.stefstocks.com](http://www.stefstocks.com)

The full announcement is available for inspection, at no charge at the registered office of the company and at the office of Bridge Capital Advisors (Pty) Ltd, during normal business hours. Copies of the full announcement may also be requested by contacting the company secretary, William Somerville at [w.somerville@mweb.co.za](mailto:w.somerville@mweb.co.za).

The full announcement is also available at <https://senspdf.jse.co.za/documents/2020/jse/isse/ssk/FY2021H1.pdf>

This is an ongoing process which continues as the fluctuating aspects of the Restructuring Plan are being implemented.

The Restructuring Plan is anticipated to be implemented over the financial years ending February 2021 and February 2022 and, to the extent required, shareholder approval will be sought for this.

Stefanutti Stocks will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets at 31 August 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 25 of the group's Consolidated Annual Financial Statements for the year ended 29 February 2020, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan on 1 July 2020 and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the period be prepared on the going-concern basis.

### OVERVIEW OF RESULTS

As previously highlighted to shareholders in various announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

As a consequence of the implementation of the Restructuring Plan, a number of non-core assets, underutilised plant and equipment and identified operations earmarked for sale have been reclassified in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

### Continuing operations

The continued adverse market conditions, as well as the substantial impact of COVID-19, has reduced contract revenue from continuing operations to R1,7 billion (restated Aug 2019: R2,9 billion) with an operating loss of R101 million (restated Aug 2019: R865 million).

The United Arab Emirates operation contributed R6 million (Aug 2019: R15 million) towards the share of profits of equity-accounted investees.

This period's contribution has been negatively impacted by COVID-19.

The after tax loss for the period for continuing operations is R169 million (restated Aug 2019: R909 million) and for discontinued operations is R80 million (restated Aug 2019: R132 million).

Earnings and headline earnings per share for total operations are reported as a loss of 147.06 cents (Aug 2019: 622.35 cents) and a loss of 128.42 cents (Aug 2019: 607.72 cents) respectively.

The group's order book for continuing operations and inclusive of M&E is currently R7,4 billion of which R3,1 billion arises from work beyond South Africa's borders.

### Broad-Based Black Economic Empowerment (B-BBEE)

The group is a level 1 B-BBEE contributor measured in terms of the Construction Sector scorecard with a Black Economic Interest score of 81,3%.

### Industry related matters

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the arbitration date has been set for September 2021. The group remains confident it can defend this claim.

The group continues to be negatively affected through disruptive and unlawful activities by certain communities and informal business forums in certain areas of South Africa.

### Dividend declaration

Notice is hereby given that no dividend will be declared (Aug 2019: Nil).

### Subsequent events

On 30 October 2020, the group ceased to market the Mechanical & Electrical operation, which was classified as discontinued on 31 August 2020. Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of this announcement.